

Message Text

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44

ACTION ARA-20

INFO OCT-01 ISO-00 INT-08 EB-11 COME-00 OMB-01 TRSE-00

CIEP-02 CEA-02 AID-20 XMB-07 SS-20 NSC-07 L-03

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 OPIC-12 SIL-01

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R 021150Z JUL 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9930

INFO AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

CONFIDENTIAL GEORGETOWN 1098

E.O. 11652: GDS

TAGS: EMIN, GY

SUBJECT: REYNOLDS METALS PAYING BUT APPEALING RETROACTIVE INCOME TAX
CHARGE

1. LOCAL REYNOLDS GUYANA MINES EXECUTIVE TOLD CHARGE' DURING COURSE OF LATTER'S VISIT THAT GOG HAS PRESENTED COMPANY WITH RETROACTIVE INCOME TAX BILL OF SEVERAL MILLION GUYANESE DOLLARS ABOVE WHAT COMPANY CONSIDERS ITS LEGALLY REQUIRED PAYMENT. . (SEE ALSO TDFIRD13 315/06163-74). SOURCE WAS UNWILLING OR UNABLE SPECIFY EXACT SUM. TAX BILL IS BASED ON A SELLING PRICE FOR BAUXITE HIGHER THAN THAT WHICH THE COMPANY HAS REPORTED, AND MUST BE PAID WITHIN THIRTY DAYS OF PRESENTATION. HIGHER SELLING PRICE WOULD GIVE COMPANY GREATER PROFITS, THEREFORE GREATER TAX LIABILITY. REYNOLDS OFFICIAL CLAIMS HE DOES NOT RPT NOT KNOW HOW GOG DETERMINED ALLEGED JUST SELLING PRICE AND CLAIMS IT DOES NOT RELFECT ACTUAL MARKET PRICES ANYWHERE SINCE GOG'S VERSION OF SELLING PRICE IS UNCHANGING OVER A CONSIDERABLE PERIOD OF TIME.

2. COMPANY HAS DECIDED TO APPEAL THROUGH JUDICIAL SYSTEM, BUT IN ORDER TO DO SO MUST FIRST PAY FULL AMOUNT OF TAX. (CONSTITU-
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TIONALITY OF REQUIREMENT FOR FULL PAYMENT PRIOR TO JUDICIAL

APPEAL NOW BEING TESTED IN UNRELATED SUIT BY ANOTHER PARTY). COMPANY INTENDS PAY WITHIN NEXT TWO WEEKS, BUT HOPES TO EVENTUALLY WIN CASE. IN MEANTIME GOG WILL HAVE USE OF DISPUTED MONEY TO HELP MEET PRESENT FINANCIAL CRISIS.

3. REYNOLDS EXECUTIVE ADMITTED THAT OPERATION STILL PROFITABLE EVEN INCLUDING RETROACTIVE TAX PAYMENT. STATED PRODUCTION IS UP CONSIDERABLY OVER LAST YEAR, AND SHOULD REACH 930,000 TONS IN CY 74.

4. COMPANY HAS AGREED TO GOG DEMAND THAT PENSION FUNDS BE KEPT IN GUYANA BUT NOT RETROACTIVELY. 40 PERCENT OF MONTHLY PENSION FUND PAYMENT IS NOW BEING USED TO PURCHASE GOG BONDS, WHILE 60 PERCENT IS PLACED IN SPECIAL ACCOUNT IN ROYAL BANK OF CANDA.

5. THOUGH SOURCE CLAIMED THAT PLANT IS NOT BEING RUNDOWN, HE COMMENTED THAT REYNOLDS (U.S.) WAS NOT ALLOWING HIM TO IMPORT NEW MACHINERY WHICH HE WANTED.

6. COMMENT: WHILE REYNOLDS EXECUTIVE DID NOT SPECULATE WHY GOG HAS SLAPPED COMPANY WITH HIGHER TAX BILL, IT PROBABLY RESULT OF PRESSING GOG NEED FOR CURRENT REVENUE, AND POSSIBLY A MOVE, ALBEIT FAR SMALLER, A LA MANELY. MATTHEWS

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